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THE NORTH-CHINA DAILY NEWS, FRIDAY, SEPTEMBER 25, 1936

**TOKYO BANS "FORTUNE"**

**Prohibited Photographs Printed  
in American Magazine**

Tokyo, Sept. 24.

An official order here to-day banned the September issue of the American magazine "Fortune" from Japan. The September issue of the magazine was devoted almost entirely to articles on Japan. A spokesman for the government explained that the magazine had been banned because of prohibited photographs printed in the current issue.

—United Press.

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The following article is extracted from "Fortune",  
an American Magazine dated February, 1935:-

### THE MANCHURIAN MUDDLE

The Japanese Army experiments in state socialism.

Manchukuo's bandits, bank notes, boom.

And her two great men: Chen and Minami.

On a bitterly cold day in March, 1934, a mild, bespectacled Chinese youth, robed in multicolored silks, solemnly ascended a flight of steps leading to the top of a curious terraced affair of brick and earth. The wind whistled over the bleak Manchurian plain, a pale sun shone wintrily in the heavens, the small group around the steps watched silently as the young man went through the traditional ceremonies that made him God's Regent on Earth. It was a cynical little gathering - Japanese officers who had put him there, Chinese officials who hoped to line their pockets with new-regime gold, silk-hatted foreign correspondents who made no effort to conceal their skepticism.

The ceremony over, the youth descended the steps and entered a bulletproof American limousine. No cheering populace greeted him. His subjects, indeed, had been carefully kept at a distance. The car drove rapidly back to the imperial "Palace", a soldier stiffly at attention every few feet of the five-mile drive. The Manchurian troops, 50,000 of them, kept an eye on such Manchurian subjects as ventured outdoors that day, and seasoned Japanese soldiers in a one-to-three mixture were posted to keep an eye on the native troops. Everyone breathed easier once the Emperor was back safe in his palace. There he ascended a "dragon throne," like the terraced "altar of heaven" a makeshift imitation of the real thing in Peiping. Thus Pu Yi, twice Emperor of China, became Kang Teh ("Tranquillity Virtue"), first Emperor of Manchukuo. A Manchu ruled once more in Manchuria, and the mighty line of Manchu Emperors had come full circle.

The land over which Emperor Kang Teh rules, with some assistance from the Japanese, has been compared to an autumn leaf. The stem is the Kwantung Peninsula, the veins are the rivers and railroads that twist over the great Manchurian plain, and the curled edges are the mountain ranges that bound Manchuria. It is a large land, as big as France and Germany together. Its life is organized around its skeleton of railroads, along which the 28,000,000 Chinese farmers, who raise 60 per cent of the world's soybeans, have settled. The backbone of the rail system is the great T formed by the Russian-dominated Chinese Eastern Railway, which runs west-east across the land, and the Japanese-owned South Manchuria Railway (S.M.R.), which strikes north from Dairen to meet it. At the juncture of the T is Harbin, 405,000 population, focus of the Russian influence and center of the important Sungari River traffic. All the other big cities and all the industries center around the S.M.R. zone: Hsinking, 167,000 population, the raw, booming new capital; Mukden (389,000), strategic center of Manchukuo's imports and exports pass; the Fushun coal mines and oil-shale works, the iron mines and steel works at Anshan, the iron and coal of Penhsihui; and finally, the 1,300 square miles of the Kwantung Leased Territory, which Japan acquired in 1905.

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If you are looking for "local color" the cities of Manchukuo may disappoint you. There are plenty of tumbling down Chinese houses and gaudy, smelly Chinese shops, but the travelers's dominant impression is how much it all resembles Bridgeport, Connecticut. This disillusion reaches its height in Dairen, from the factories and oil tank farms on its outskirts to the inevitable Yamato Hotel fronting on its inevitable circular park in the well-swept, asphalted heart of the city. Dairen even has its Atlantic City - the seaside summer resort of Hoshigaura, complete with a luxurious Yamato Hotel and a fine big golf course. In Mukden, contrast is especially sharp between the neat, modern "New Town" within the S.M.R. zone and the dusty, ramshackle Chinese "Old Town" walled in by crumbling bricks. In the New Town one is conscious of the big S.M.R. medical college, which specializes in research into Asiatic diseases, of the National City Bank, of broad streets and solid urban buildings. In the Old Town one wanders through miles of flimsy Chinese shops, for Mukden is the great shopping center for Chinese goods. Hsinking has all the flavor of a frontier boom town. New buildings are rising everywhere. The lobby of the Yamato Hotel is swarming with engineers, officers, promoters. The streets are jammed long after dark with shoppers spending money in handfuls. There is a Neon-lit movie palace with an interpreter standing beside the screen to explain American talkies to the audience. There is a big modernistic geisha house, where a live tree grows out of the floor and all the Japanese dancing girls have colds through the long Manchurian winters. Harbin, where Russian droshkies share the streets with Chinese coolies, is no longer the gayest city of Asia. But it still has its swanky Sungari River Yacht Club, which would not be out of place on the north shore of Long Island, its Russian night clubs, most famed of which is the Club Fantasia, and its large fur shops, where White Russians make a few yen out of the Japanese passion for furs.

Outside the cities, Manchukuo has little in common with Bridgeport, Connecticut. The former Chinese province of Jehol is famous for its fields of white opium poppies and its high smallpox rate. The whole northern area, consisting of most of Heilungkiang and Kirin provinces, is still pure frontier, a region of trackless forests and mighty rivers. Over the grasslands of Hsingan province roam nomadic Mongol herdsmen, living as their ancestors did in the days of Tamerlane and Genghis Khan. So the general picture is a core of Japanese industrialization - the S.M.R. zone - a middle ground of soybean fields patiently tilled by Chinese farmers, and an outer frontier district of mountains, Mongols, bandits, and shaggy-haired Manchurian tigers.

Up to the turn of the century the world regarded Manchuria with perfunctory interest. The Manchu Emperors who ruled over China from the seventeenth to the twentieth centuries used their homeland chiefly as a hunting preserve and a reservoir of Manchu "Bannermen" to support the Dragon Throne. Chinese immigration was actually forbidden during most of that period. But toward the end of the nineteenth century Manchuria began to come into her own. The first tides of Chinese immigration flooded over her fertile plains, and the Asiatic powers began to realize her economic and strategic possibilities. Japan declared a war on China and won it in five months - August to December, 1894.

She took Formosa and would have bitten off a good chunk of Manchuria had not Russia and the other powers intervened. Forty years later the powers found her less tractable. Having, for the moment, kept Japan out, Russia stepped in, converting Manchuria into virtually a Russian province. Then came the Russo-Japanese War, which ended in 1905 with Japan's taking over the Kwantung Leased Territory and most of the southern branch of the Chinese Eastern Railway (which she remodeled into the S.M.R.). Japan has never forgotten that the bones of 100,000 of her soldiers lay on the plains of Manchuria after that war.

Of some slight aid to the Japanese during the war had been a bold, bloody Manchurian bandit named Chang Tso-lin. After the war Chang, being at least as bloodthirsty as and considerably smarter than his fellow bandit leaders, waxed steadily in stature. To him the Manchus confided the task of defending their home province against the rising tide of revolution. This he faithfully did until he was convinced that the republicans were going to win out, whereupon he gracefully bowed to circumstances and delivered Manchuria to them. With equal grace, they recognized Chang's power as a fait accompli and made him Inspector General of Manchuria.

By 1934 Chang had grown so great that he marched his troops south of the Great Wall into Peiping and made himself ruler of all northern China. The illiterate son of a coolie, he lived in great style in Peiping, whose streets were scattered with golden sand whenever he passed over them. His amusements included playing mahjong for princely stakes, keeping a harem of Chinese, Russian, and English women, and giving state banquets at which cups of warm tiger's blood were served and perhaps the head of a guest or two chopped off pour encourager les autres. A clever negotiator, Old Chang played the Japanese game, though he was never a very trustworthy ally. Finally the Japanese grew bored with Chang and his double-crossings. In 1928 the armies of the Kuomintang came up from the South and drove Chang back to Manchuria. Just outside of Mukden his private train was dynamited, almost certainly with Japanese connivance, and Chang met an end as violent as any he had contrived for his dinner guests.

Chang was succeeded by his son, Chang Hsueh-liang, a frail, undistinguished young man whose energy had been sapped by debauchery and whose wits had been clouded by opium and the teachings of the Y.M.C.A. Old Chang had at least been willing to bargain with Japan, but Young Chang, crammed with Y.M.C.A. idealism, was a ripanorting patriot. Besides, he was angry with Japan for killing his father. Within six months the flag of the Chinese Republic flew in Manchuria and Young Chang had declared his allegiance to the Kuomintang Government of Chiang Kai-shek (see Fortune, January, 1935). At once he began to put pressure on Japan with a view to curbing her influence and perhaps forcing her out of Manchuria altogether. He harassed Japanese businessmen with passport difficulties and illegal taxes. He nullified, in effect, the treaty right of Japanese to lease land. He struck at the S.M.R. with a system of Chinese railways which were designed to drain traffic away from the S.M.R. and down to Newchwang and the projected port of Hulutao, the Chinese answer to Dairen.

In such an atmosphere "incidents" multiply. By the summer of 1931 the Japanese had collected 300 grievances against Young Chang. Then came the killing of one Captain Nakamura, of the Japanese Army, by some Chinese soldiers. By the fall of 1931 the tension was unbearable. Young Chang had frightened the capitalists and the government of Japan, who had invested \$300,000,000 in the S.M.R. and another \$200,000,000 elsewhere in Manchuria. And, what was more dangerous, he annoyed the Japanese Army. Soon after the killing of Captain Nakamura, the Army was perfecting a "concrete plan for a measure to be taken against China". And then came.....

#### The "incident" that never happened

THIRTY-ONE inches of rail that probably never were blown up at all cost China Manchuria. The night of September 18, 1931, was dark in Mukden, capital and key city of Manchuria. Just outside the city a certain Lieutenant Kawamoto of the Imperial Japanese Army was practicing maneuvers with six privates along the tracks of the Japanese-owned South Manchuria Railway. At 10:00 a.m. they heard a loud explosion. Running to the place they found a section of one rail blown away. They were fired on; they returned the fire. By morning the city of Mukden with its enormous \$100,000,000 arsenal was occupied by Japanese troops. Six months later the Japanese Army was at the Great Wall, the native section of Shanghai had been captured by Japanese troops, and "Manchukuo" had been declared independent of China. A year later the Japs had defeated General Ma, the only Chinese general to offer effective resistance, and extended their control over northern and western Manchuria. Early in 1933, after a remarkable nine-day march in arctic weather, the Japanese pushed the Chinese out of Jehol and added that Inner Mongolian province to their new state. China had lost Manchuria, and all for the want of thirty-one inches of hundred-pound rail.

#### Why?

There is a good deal of doubt whether the Chinese ever blew up those thirty-one inches of rail. There is no doubt, however, that the perhaps fabulous explosion has been costly to Japan as well as to China. The Manchurian adventure has cost the people of Japan \$210,000,000 in direct "emergency" expenses, 10,000 killed and wounded, and enormous indirect expenses in the way of unprecedented increases in military expenditures. Recently the Cabinet was bullied into voting \$297,000,000 for next year's Army and Navy expenses. This was almost half the total budget and the biggest military appropriation in the history of the empire. Manchukuo has also cost Japan the goodwill of almost the entire civilized world and her seat in the League of Nations. It has cost her merchants some 50 per cent of their trade with their second biggest customer, China. Why has Japan poured out so much blood and treasure? Her fears for her Manchurian investment were a potent immediate cause, but we must dig much deeper than that.

#### Not to colonize

The pat answer is that Japan wants Manchuria for colonization. As everyone knows, the Japanese are crowded in their four tiny islands, 450 human beings to



the square mile. Industrialization has staved off the famine point so far, but the land is over-burdened. Manchuria offers vast stretches of virgin soil, fertile and well-watered. On paper it looks like a deal.

But, unhappily, the Japanese are not a colonizing people. One of the most potent words in Japanese is "tamashii", the feeling for home as the place where, culturally and racially and in a family sense, one belongs. This mystical concept prevents the Japanese from feeling really settled anywhere outside the fatherland. Practical considerations also play a part in Manchukuo. The climate in Manchukuo is much colder than in Japan - the intense cold bothered the Japanese Army in its Manchurian campaign much more than did any Chinese opposition. And the Chinese standard of living is so low as to make it difficult for even the frugal Japanese to compete. Rice is "bread" to the Japanese, but to the Manchukuoan Chinese it is "cake", to be eaten only on state occasions. Their "bread" is a pancake made of kaoliang. The Koreans underlive both Chinese and Japanese.

Let Californians and Mr. Hearst scare themselves with visions of a Japanized Pacific Coast, the fact is the total of Japanese living outside Japan is less than 800,000. After twenty years of colonizing efforts in Korea, only 2 per cent of the inhabitants are Japanese. (The problem, indeed, has been how to keep the Koreans from overrunning Japan) Since 1931 the Japanese in Manchuria have indeed increased from 225,000 to 315,000 - but the new settlers, like the old ones, are almost all of them officials and businessmen. There are practically no Japanese farmers in Manchukuo even today. The S.M.R. spent some \$1,400,000 subsidizing groups of armed colonists, but results were so poor that it has abandoned the project. Colonization therefore can hardly be Japan's motive.

#### Not to exploit

MANCHURIA has been described by writers who should know better as a treasure chest of nature bursting with coal, iron, wheat, gold, and all things nice. Japan sorely needs raw materials. She imports both in quantities so huge that only her enormous exports of manufactures enable her to keep going. If Manchuria were as rich as she has been painted it would be obvious why Japan lusted after her. But she isn't. Japan needs coking coal, iron, oil, cotton, wool, fertilizers, timber. To what extent can Manchuria supply her needs?

Coal. The Fushun mines, owned by S.M.R., center around the biggest open-cut coal mine in the world. They produce 6,600,000 tons of the total 9,500,00 Manchurian annual production. Their coal is mined cheaply enough to undersell Japanese coal in Japan, but it is of poor coking quality and hence of little use in smelting iron. And coking coal is what Japan needs. She has enough ordinary coal - the 6 per cent she gets from Manchuria is imported solely because of its low price. Manchuria has large coal reserves, but what little is known about their quality is discouraging.

This is also a good place to note that in coal, as in other commodities, Japan was getting all she wanted from Manchuria before 1931. Setting up a puppet state makes Manchurian oil and iron no cheaper to Japan, nor does it affect the price of soybeans.

Oil. This is probably Japan's most pressing need, especially from the standpoint of national defense. She imports 90 per cent of her oil, a state of affairs all the

more appalling because her military forces use a good third of her total consumption. No oil wells have yet been found in Manchuria but the Fushun coal is overlaid by oil-bearing shale, and in 1929 a big oil-extraction plant was erected there. It is, however, an enormously expensive process and the plant has never been a commercial success. Operated at capacity, it would supply less than 10 per cent of Japan's annual consumption. The S.M.R., on the other hand, estimates that its Fushun shale reserves are enough to supply all Japan's needs for a century - if the government could feet the bill that long. At present the Fushun deposits are worked for strategic rather than commercial reasons: the Japanese Navy obligingly takes the entire output of Fushun oil at cost.

Iron. Equally essential to Japan's peacetime economy and her preparations for war is iron, and here too she faces a serious shortage at home. Over 90 per cent of the iron she uses is imported. The big Manchurian iron mines are at Anshan, with Penhsihu a very poor second, but both produce ore of such low quality - 30 to 40 per cent iron content - that Western countries would not bother to mine it. The silicon content is high, a drawback in using it for steel. Like the oil-recovery plant, the Anshan works run at a loss which is borne in the end by the Japanese Government. Again, as with oil, Manchukuo's iron reserves are enough to supply Japan for centuries - but the cost would be staggering. Military necessity, however, laughs at economics, and by the end of 1934 the S.M.R. expected to have in operation at Anshan the Showa Steel Works, which will be the second largest steel plant in the Far East.

Agriculture. Ironically enough, it is as a source of food supply that Manchuria seems to promise most to Japan, and it is precisely here that she is least needed. Although Japan has a big trade deficit in foodstuffs, the problem at present is not acute. Rice is her main need, and she gets almost 90 per cent of her import requirements from her colonies, Korea and Formosa. She might import Manchurian wheat if she could induce the Manchurian farmers to raise it. But wheat is fairly hard to raise and the Manchurian peasant can't afford a gamble. For his own food he raises kaoliang, whose scarlet plumed stalks tower eight feet in the air. For his cash crop he sticks to that amazing vegetable product, the protean soybean (Fortune, June, 1930). Manchukuo produces 60 per cent of the world's soybean crop. The soybean is eaten as vegetable, cheese, pickle, flour, butter, and salad oil. It also plays industrial roles in soapmaking, dyestuffs, plastics, etc. Its main uses, however, are as cattle feed and as fertilizer, and the soybean is Manchukuo's only important agricultural export to Japan. It is mostly used as fertilizer for the little fields that must support so great a population burden. Even this use, however, is threatened by the development of a native sulphate of ammonia industry - per unit of nitrogen, sulphate of ammonia is considerably cheaper as a fertilizer than the soybean. Almost anything can be raised on Manchukuo's fertile, well-watered soil, and the time may come when Manchukuo will supply more than soybeans to Japan. But for the present only a little more than one-fifth of the total raw foodstuffs imported into Japan comes from Manchukuo.



Et. cetera. Japan needs cotton, not only for her textile mills but also to make munitions. Chafing at the tremendous quantities she must annually import, she hopes to develop cotton areas in Manchukuo, plans five agricultural experimental stations. But foreign experts are skeptical about the chances of growing cotton so far north .... There is one thing that Manchuria can supply to Japan and that is timber. So far she hasn't - only some 1 per cent of Japan's big timber imports come from Manchuria - but her forest reserves are enormous. Once the bandits have been suppressed, Japan should be able to get most of her timber from Manchuria.... By encouraging the wandering Mongol tribes in their stock raising, Japan hopes to increase Manchuria's wood output, throw off her dependence on Australian imports... The streams of the North yield a little placer gold - some \$2,000,000 a year. The S.M.R. has been sending out armed groups of prospectors but so far without making any sensational discoveries... Magnesite fanciers will be thrilled to learn that Manchukuo's magnesite deposits are "the best in the world" and that reserves are calculated at 20,000,000,000 tons.

#### But To fight

There are those who think that the next great war will be fought on the plains of Manchuria and Mongolia. (See map on page 82) For Manchuria is the military key to the Far East, a buffer state wedged between the three major Asiatic powers: Japan, Russia, China. Whichever of the three controls Manchuria has a first line of defense, or offense, against the other two. To Japan especially, with only Korea as a foothold on the continent, Manchuria has become her "life line". If she let go, the surf of war might sweep her off the mainland. For strategic reasons at least Japan felt it necessary to take Manchuria unto herself. Even the gray web of Manchurian economics is shot through with the scarlet thread of war. Manchurian oil and iron, as we have seen, are too expensive to interest anyone but the soldier, who never counts the cost. The new railroads Manchukuo is pushing over her plains, at the rate of five miles a day, are at least as important strategically as commercially. This, then, is one sound explanation of Japan's interest in Manchukuo - as a theatre of war. Already the stage is being set. Russia is said to have from 100,000 to 200,000 troops along her side of the border. Japan has 80,000 of her own troops in Manchukuo today, to say nothing of 100,000 Manchukuo troops - of whom the less said the better.

#### An to fulfill

But the deepest motivation of Japan's Manchurian adventure is neither colonial nor economic nor even strategic. All this reasonable arguing about it and about is beside the point. The Japanese Army marched through arctic weather into every corner of Manchuria primarily because it was driven by an urge for conquest as strong and as irrational as any sexual libido. Freud would have understood. The glorious, golden vision of empire was before its eyes. The Japanese nation feels that it is divinely ordained to rule over Asia. When America felt that way she talked of "manifest destiny"... England referred to "the white man's burden". Germany spoke of "Kultur" and demanded "a place in the sun." Japan's

less imaginative catchwords are "Asia for the Asiatics," "Japanism". When men lust after women or nations after empires, they don't act or talk rationally. For five hours the eminent but dreadfully reasonable gentlemen of the Lytton Commission once sat and listened to the voluble explanation of one of Japan's leading statesmen. They were embarrassed to find that they just couldn't make sense out of the harangue. For the deepest roots of Japan's Manchurian policy lie far beneath the surface of conscious expression. They draw strength from a supra-rational, almost mystical Nietzschean will to power.

Our thread of reasoning has led us to the very heart of the Manchurian labyrinth, where dwells a fearsome Minotaur indeed: the Imperial Japanese Army. The two strongest motives for taking over Manchuria, military strategy and sheer lust for empire, are precisely those that act the most powerfully on the Army. And the Army happens to be the most potent force in contemporary Japan.

### The Army is boss

In the summer of 1931 a tense little group of young Army officers waited on Premier Wakatsuki. Earnestly they presented him with the "300 incidents", a list of Manchurian insults to Japan that they had drawn up, and earnestly they begged for war. Their request was refused. When Captain Nakemura was killed by Manchurian soldiers some weeks later, the Japanese Army began negotiations with China independently of the Japanese Government. When the Army's demands were not satisfied it proceeded to put into execution a carefully prepared plan of attack. It was so exclusively an Army show that in the early stages Japanese Consuls in Manchuria were as much in the dark as everyone else. For the next few months the world witnessed the incredible spectacle of a pacifistic government trying vainly to restrain its own armies.

The Wakatsuki Cabinet, like all succeeding Cabinets, had neither the legal nor the moral power to curb the Army. The Army occupies a unique place in Japan. It takes its order neither from the Cabinet nor from the Parliament but direct from the Emperor. The military heads, like the Premier, are responsible only to the Emperor, which, with all respect to their veneration for the Son of Heaven, means they are responsible only to themselves. The Ministers of War and Navy, furthermore, (1) must be a general and an admiral respectively, (2) do not have to resign when a Cabinet falls, and (3) have the right to appeal direct to the Emperor. Thus the military, controlled only by an unambitious Son of Heaven, can, and do, act pretty much as they please.

But the power of the Army goes far beyond legal forms. The Japanese people have had very little experience of either capitalism or democracy, and what little they have had has been disillusioning. The Japanese version of capitalism has brought wealth to a few Mitsuis and Mitsubishi's but it has long meant grinding poverty for the Japanese masses. The people speedily found it was useless to turn to the politicians, who were bought up by the capitalists almost in open market. That left only the Emperor - and the Army. The Emperor became a fetish, loyalty to him a mystic experience. And the Army, whose loyalty to the Emperor is as fanatical as its hatred of the capitalists and politicians, became the articulate voice of the people. The nationalistic, anti-Western,

back-to-the-old-ways campaign of the Army stirred the popular imagination. Western nations, disillusioned with capitalism, might dabble in Socialism and Fascism. But Japan, practically a medieval nation when Commodore Perry's black ships cast anchor in the Bay of Yedo in 1853, has gone straight back to feudalism. The old ways couldn't be any worse than the new ways that were forcing farmers to eat rotten fish and sell their daughters into Yoshiwara houses. And so when the Army decided to take over Manchuria, the people backed it up. The new land might offer a way out of their misery. That experts think it won't is beside the point.

The solid backing of public opinion smoothes the way for the Army juggernaut, but the motive power comes from within. At the core of the Army is an ultranationalistic, politico-religious secret society of younger officers, fanatics all of them, who live and die for two potent words: Hodo, "the Way of the Perfect Emperor", and Bushido, "the Way of the Warrior". The leader of this sect, fiery Sadao Araki, former Minister of War, epitomized the new feeling when he pronounced: "The spirit of the Japanese nation is, by its nature, a thing that must be propagated over the seven seas and extended over the five continents. Anything that may hinder it must be abolished."

#### The Puppet show

Once the Army had conquered Manchuria the question was how to hold it. It is no news that the Army's answer was to import from Tientsin the studious heir of the Manchus, Pu Yi. The career of this smooth-faced, retiring youth, who is happiest playing tennis or riding his bicycle, is a tale straight out of E. Phillips, Oppenheim. How he was picked out as a babe by the grim old Dowager Empress to succeed herself, how a year after the 1911 revolution the six-year-old boy Emperor abdicated, how he grew up in the Forbidden City in Peiping, stripped of power but still allowed his elaborate court, how he was married to two ladies at the age of sixteen, how in 1935 he fled to the Japanese Concession in Tientsin for protection, how he was plucked thence to become chief executive of Manchukuo in 1932 and two years later to be crowned Emperor Kang Teh - all this is a story that can only be suggested here.

The government Pu Yi now heads is, to Occidental ways of thinking, a "puppet state". It is not even a very magnificent puppet show. The imperial palace of Emperor Kang Teh is a ratty, square building surrounded by low outbuildings full of soldiers. An audience with the last of the Manchu Emperor is not an impressive function. From the reception room, ornamented with spittons and shabby leather armchairs, one passes through a cramped corridor and up a creaky staircase to the small, low-ceilinged audience room. A red throne stands on a dingy red carpet and Emperor Kang Teh, looking somewhat uncomfortable in a military uniform, stands by the throne. He wanted to have his capital in Mukden, traditional seat of the Manchu Empire, but the Japs wanted a Japanese-built capital. They decided on Changchun, whose name they changed to Hsinking ("New Capital"). There is slight pretense made as to who is boss in Manchukuo.

When Western nations protest the crudity of the Manchukuoan puppet show they miss the point. The problem of Japan is not to reconcile outside powers to her seizure of Manchuria but to rule over a region that is 90 per cent Chinese. And so the Japanese Army propped up Pu Yi and his fellow straw men to win over the people of Manchuria (wherein they have not been entirely unsuccessful) rather than to delude the rest of the world (wherein they have utterly failed). To the Japanese the disturbing fact about Manchuria is that 28,000,000 of its 31,000,000 people are straight Chinese. Most of them emigrated from North China in the last fifty years. They came chiefly from the provinces of Hopeh and Shantung, that dismal region where overpopulation, exhaustion of the soil by centuries of cultivation, constant floods or drought caused by reckless deforestation, and bandit activities combine to produce an almost chronic state of famine.

To emigrants fleeing from such a country the fertile, well-watered Manchurian plain seems a land of milk and honey. Their exodus in recent years is one of the great mass migrations of history, reaching a peak of about 1,000,000 a year from 1927 to 1930. Hundreds of thousands of these were migratory coolies who went back to China for the winter, but most of them settled down for good. Since the Japanese came in, the flood of migration has been steadily drying up. Last September 19,000 coolies entered Manchuria through Dairen and 12,000 left, as against 21,000 arriving and 10,000 leaving in September, 1933. Japan is neatly impaled on the horns of a dilemma. To develop Manchuria the Japanese, unable to induce their own people to leave home, must encourage Chinese immigrants. But they are aware that China's strength lies not in arms but in the capacity of her people to settle and breed, and they are afraid that the sheer pressure of Chinese numbers may some day force Japan out of Manchuria.

For its purpose, the puppet government works well enough. The head of each department of the central government at Hsinking is Chinese, but each has a Japanese "adviser" to tell him what to do. It would be closer to the truth to call the Chinese the advisers and the Japanese the executives. So many Chinese officials left the country after the downfall of Young Marshal Chang that it has been hard to find enough able Chinese to go around even as figureheads. The Minister of Foreign Affairs, for example, is an amiable, slow-witted Chinaman named Hsieh-Chieh-shih (see page 87 for his picture), whose chief qualification for his post seems to be that he speaks French moderately well. The Vice Minister of Foreign Affairs is a cocky little rounded-faced Jap named Ohashi, a self-made man whose career has been made into a popular novel. Ohashi has a rather nasty sense of humor. On his desk is a buzzer. When he has drawn up a document he presses the buzzer and the Minister of Foreign Affairs hurries in and affixes his signature.

There is an old saying that well expresses the attitude of the Chinese peasant toward his government:

I dig my well and drink.

I till my land and eat.

I hunt to clothe myself.

Even the power of the Emperor is nothing to me.

The wise man pays such taxes as he must and expects nothing from the government. To preserve law and order he looks chiefly to the rule of the family. Beyond that, he may feel a personal loyal to certain leaders, whom he follows without much regard for the forces behind them. "If the support of a particular leader can be secured by persuasion or coercion," comments the Lytton Report, "the support of his adherents.... follows as a matter of course". In setting up Manchukuo the Japanese followed the lead of the Manchu Emperors, who filled the high court posts with Manchus but left local government to the traditional Chinese mandarins. Puppets the Chinese heads of the state may be, but they are invaluable to their masters. Sokolsky in the *The Tinder Box of Asia* goes so far as to say it is they "who determine the success of the enterprise. As long as they are willing to cooperate with Japan, the Japanese will have freedom of action to carry out their economic and strategic program. Should they oppose the new state, not even the Japanese Army can maintain peace there, for an uprising suppressed in one region would reappear in another."

#### Two men

CHENG HSIAO-HSU and Jiro Minami are probably the two most powerful men in Manchukuo today. Tutor and most trusted adviser of Pu Yi, Cheng is Prime Minister of the new state. As Commander of the Kwantung Army and Japanese Ambassador to Pu Yi, Minami controls the army that keeps the new regime in power and he represents the nation that pulls the puppet strings.

The conflicting cultures of China and Japan must be harmonized if the new state is to survive. Neither can get along without the other. The sharp contrast between an Oriental China and a Westernized Japan is clearly illumined by the contrast between the personalities of Cheng and Minami.

#### The Prime Minister

CHENG HSIAO-HSU (Su K'an to his friends) is probably the most intelligent person in Manchukuo. He is an old man of seventy-five, with a wise, gentle face and the lips of a poet. Like most Chinese gentlemen of the old school, he writes poetry and is an expert calligrapher. The Japanese seem to have a penchant for calligraphers: YUAN Chin-kai, whom they made Mayor of Mukden, is also known well for his calligraphy. But Cheng is far from a mere dilettante. He is one of the greatest living poets of China, and in a land where calligraphy is a fine art, Cheng is famous for his skill. Collectors pay well for specimens from his brush, schoolboys study facsimiles of his writing. As a painter he is also renowned, especially for his pine trees. But Cheng is no bewildered dreamer blinking owlishly in the dazzling light that beats upon a throne. The conduct of great affairs is nothing new to him. He has fought bandits, governed provinces, run railways before. He has been a diplomat, an adviser to Emperors, a major-domo-- always with honor and credit. Only a very old civilization could produce so remarkable a synthesis of the poet and the man of action. As he walks into a room there is an enlightened dignity about him that suddenly makes the button-headed Jap officers look brutal, clumsy, somewhat ridiculous. He is a puppet who dominates his puppeteers. He is the man of whom Sir Reginald Johnston, tutor to Pu Yi, wrote: "In twenty-five years of experience in China I had never met a Chinese for whom I had conceived a greater respect and admiration."

A single theme runs through Cheng's long and extraordinary career: his loyalty to the Manchu dynasty. Because of that he retired to private life when the Manchu Empire fell, because of that he has come back again as Prime Minister of Manchukuo. Born of a scholarly family in Suchow in 1859, he was sent to the Hanliyu Academy at the Manchu court. By 1881 he was a civil servant and a poet of distinction. In 1890 he became secretary to the Chinese Legation in Tokyo, two years later Consul General for Kobe and Osaka. Recalled by the Sino-Japanese War, he was Director of the Peiping-Hankow Railway for five years. He later became military Governor of Kwangsi province, then suffering from an epidemic of banditry. After annihilating a large band, he turned to diplomacy. His eloquence was such that during his three-year term he completely suppressed banditry without fighting another battle.

Rewarded with the Star of the Double Dragon Treasury, Cheng retired to Shanghai and built himself a villa, Haisenglou or "The Place Hidden By the Sea," where he happily wrote poetry and painted pine trees. His retirement was interrupted by service as an adviser on a proposed Manchurian railway - he advocated the all-Chinese port of Hulutao, an idea later taken up by Yong Marshal Chang - and a term as Governor of Hunan province, which was cut short by the 1911 revolution. When the Manchus fell he retired again to Haisenglou. "From this event will anarchy take its rise", Cheng predicted, accurately enough, in a poem written that year. Steadfastly he refused offers of portfolios in several republican Cabinets. But when Pu Yi, living a virtual prisoner in Peiping's Forbidden City, summoned him in 1934, he came at once. As master of the royal household he undertook to reform the expensive and corrupt court system. He began by abolishing his own salary. When Feng, the "Christian General", threatened the Emperor's life, Cheng devised the plan whereby he escaped to take refuge in the Japanese Legation. For the next seven years he was tutor, adviser, and almost father to Young Pu Yi. He and his son were the companions of Pu Yi when he journeyed to Manchuria in 1931 to take office as chief executive of the new state.

In a poem addressed to his eldest son, Cheng once wrote: "Riches and honors are worth no more than a wild swan's feather." He could have been one of the richest men in China - at a slight sacrifice of principle - but he preferred to live simply in his villa by the sea, supporting himself by selling specimens of his calligraphy. Display is foreign to his nature. He has always worn the simplest of Chinese garments except on two occasions: once when he put on a military uniform to fight bandits, once when he wore Western clothes on the journey to Manchuria with Pu Yi. His regimen as Prime Minister is strenuous enough to wear out a much younger man. He rises at 3.00 a.m., exercises for an hour or so, writes poetry or practices calligraphy for two hours, fortified by a fragrant cup of tea. This is the time he writes in his journal, which he has been keeping for fifty years. At breakfast, which consists of a bowl of rice gruel, he cheerfully surveys the day's work. His office day begins at eight forty-five and ends with his daily conference with the Emperor at six in the evening. He goes to bed firmly at nine every night, not scrupling to leave a banquet to do so. Tall and spare, he keeps himself in excellent condition.

#### The commander-in-chief

JIRO MINAMI was born into a samurai family in 1874. At the age of eleven he was formally dedicated to Mars, when his father put a wooden tag around his neck and sent him off to a soldier uncle in Tokyo. Uncle Miyazaki, a wealthy cavalry captain, spared no effort and expense to make a soldier out of his nephew. He succeeded. In 1895 young Jiro was graduated from the Tokyo Military Academy, which



he later headed. In 1903 he was graduated from the Army Staff College, just in time for the Russo-Japanese War. He went in a hard-riding, hard-drinking lieutenant, came out the same sort of captain. A clever tactician, a strict disciplinarian, long on action and short on words, Captain Minami steadily climbed the military ladder: colonel, chief of cavalry, commander in China, director Military Academy, vice chief general staff, commander in Korea, member supreme war council, and, finally, Minister of War in the Wakatsuki Cabinet.

By this time Jiro Minami had become a red-faced, bull-necked old soldier. Politicians like Wakatsuki and conciliatory Baron Shidehara, the Foreign Minister, he regarded as obstacles in the path of Japan's glorious destiny in Asia, and he made little effort to conceal his contempt for them. Later developments have justified him: today the war lord rides high while his two pacifist opponents are in complete political eclipse, fortunate, indeed, to have escaped assassination. Minami was one of the first to make the great discovery, since exploited to the hilt by the Army clique, that no Japanese politician will stand up to a uniform. When the "Mukden incident" of September 18, 1931, started the well-oiled Japanese Army machine on its conquest of Manchuria, Minami rode roughshod over the alarmed protests of the Wakatsuki Cabinet. There are many who even suspect it was a secret order from him that first set in motion the Army machine. It is pointed out that in August, 1931, he flatly opposed the plans of the Wakatsuki Cabinet to reduce the Army and declared that the Manchurian problem would "exist for a long time". Six weeks later the Japanese Army began to devour Manchuria.

Some see in Minami's appointment to the command of the Army in Manchukuo a portent that the meal is not finished. The man he relieves, General Hishikari ("Happy Sparrow"), is no milksop. Erect, iron-jawed, with a penetrating, almost savage wit, Hishikari is fond of fluttering his lady guests by declaring: "I came from the wild parts of Japan! I've never been tamed!" But Hishikari's restless panther eyes are nothing compared to the cold little eye-slits in Minami's gray-stubbled military mug. If the Army plans to move into Inner Mongolia, and there are indications that it does, Minami is the man to pull it off. Poker-faced - his constant smile reveals nothing - and diplomatic, he has successfully steered a middle course in the delicate maneuvering of Japanese intra-army politics between Nobuyuki Abe's conservatives and the extremists led by his schoolmate and successor as War Minister, Sadao Araki. A good listener, he rarely commits himself. No one quite knows what goes on inside his large, close-cropped bullet head. But he has a grim sense of humor. "These machine guns", his War Office once explained to the world, "are being sent to relieve Japanese troops in Manchuria, who are suffering from overwork."

Squat, belligerent Jiro Minami has only one thing in common with angular, pacifistic ex-Premier Wakatsuki: both are called "Gozen Sama" ("Mister Morning"), a title popularly conferred on those who drink until the small hours. The Japanese, lightheaded tipplers as a rule, greatly admire anyone who can hold his liquor. The "Mister Morning" band is a small and select group. In his early days Minami drank from breakfast to bed. As a junior officer in Formosa he searched vainly for a drinking companion who could keep up with him. Finally he discovered a corporal who, abashed,

declared he had no suitable civilian clothes. At once Minami bought him "a fine drinking kimono". Today Minami drinks moderately, with meticulous precision, downing two bottles of sake (rice wine) every evening, nine minutes for the first, twenty-one minutes for the second. Drinking is all very well but, proud of his samurai lineage, Minami keeps himself in good fighting trim. At the age of sixty - five years from retirement - he is still a passable fencer, an expert with broadsword and singlestick, a good horseman, and a devoted archer. When he is in Japan he lives in Kamakura, which is to Tokyo as Long Island is to New York. Every morning he walks down to the beach wearing a heavy wooden sword five feet long. After a strenuous bout of shadow-fencing, he pounds the nape of his neck with the sword in the firm belief that he thereby reduces the swelling caused by drinking and so prolongs his life. He then strolls along the beach for a half hour or so, lustily trolling out the "Jorkri" songs of his native province.

The Puppet state of Manchukuo is thirty-four months old. Supposing that Cheng and Minami were to sit down and write an interim report, what would they itemize as their greatest achievements, their sorest failures?

### Boom

The first thing travelers in Manchukuo notice is the boom atmosphere that pervades the South Manchuria Railway zone. Hsinking, the new capital, is being built up at a feverish rate; millions of yen have been spent on public buildings and houses for the Chinese officials and their Jap "advisers". If one ventures outside the S.M.R. zone, however, all traces of the boom have vanished - except for the railroads and highways being built under heavy guards of Jap infantry. The villages are more poverty-stricken, their inhabitants more tattered than ever. All of which is summed up in the balance of trade. The 1933 balance was unfavourable for the first time in fourteen years, and 1934 is going to be even worse. Low soybean prices have hit exports (\$145,000,000 in 1933 against \$211,000,000 in 1932) and imports have shot upward (\$176,000,000 in 1933 against \$103,000,000 in 1932). Imports have been boosted by the big quantities of building materials brought in by the Japs. During the first seven months of 1934 iron and steel imports were more than double the same period in 1933, machinery and tools were up three times, vehicles one and a half times, cement double. Last July, for the first time in history, Dairen's trade topped Shanghai's.

The Chinese peasants who settled Manchukuo, however, aren't interested in the building boom at Hsinking or Dairen's rank as a seaport. They have suffered much in the last few years, partly from the economic dislocation that inevitably attended cutting Manchuria off from China - loss in trade, withdrawal of Chinese investments, etc. - and partly from the price of soybeans already mentioned. Eighty-five per cent of the people of Manchukuo are farmers; the miserable income of the average Manchukuoan peasant - family income is estimated at about one yen (twenty-nine cents) per person per month - has been seriously reduced. And so one finds that imports of commodities consumed by the masses have been falling off as imports of building materials have been increasing. Cotton piece goods were off a third in the first seven months of 1934, wheat flour a half, and so on. Bean prices rose last summer, however, and this year's crop is expected to be smaller than usual, to the relief of the Japanese authorities.

### Bank notes

The pretty poster on page 86 stands for the greatest achievement of Manchukuo so far: the stabilization of the currency. Under the Changs the people of Manchuria lived in a fantastic world of fluctuating and conflicting currencies. Everyone printed money, from the provincial banks down to the kaoliang distillers, and it rarely occurred to anyone to redeem his paper. Most of these currencies had an extremely local popularity and a hectic history. All sorts of foreign money was also floating around - Chinese silver dollars, popular then as now because hard money has long been a rarity in Manchuria, Japanese yen in the S.M.R. zone, Russian rubles up north around Harbin. Confusion was worse confounded by the war lords, who printed emergency money and sometimes executed bankers tactless enough to trade in it at market rather than face value.

One of the first things the Japanese Army did was to seize the Chinese banks of issue, as a measure of "self-defense". Private deposits were generally recognized, but the chief assets, large sums put in by officials of the Chang regime, were confiscated. The three provincial banks and Young Chang's Frontier Bank were merged into the Central Bank of Manchu, which announced an ambitious program of stabilization. The Manchukuoan yuan was established, a managed currency that is artificially kept at an exchange parity with the Chinese silver dollar. Although it is probably not backed up by "at least 50 per cent gold and silver" as is officially claimed, the yuan is vastly preferable to previous currencies. It is strong enough to sell at a premium over the Japanese Yen. The Central Bank announced that after July 1, 1934, the former currencies would become legally worthless. It would continue to redeem most of them at fixed rates, however, up to July 1, 1935. By last July, according to the bank's figures, 93.1 per cent of the old money had been exchanged for new. Even allowing for propagandist exaggeration, this part of the program would seem to be a success.

### Budget

The new currency is one boast of the Japanese. The other is that Manchukuo's budget has been in balance for the three fiscal years of the new state's existence. The 1934-25 budget adds up to \$64,500,000 and, except for a small highway loan, is perfectly balanced. A further point of pride is the budget's composition. Salt taxes and levies on the peasants, direct and indirect, used to supply the bulk of Young Marshal Chang's revenue; the Japanese have reduced salt taxes, making up for them by raising customs duties. The Changs spent 80 per cent of their state revenues on military purposes; the Japanese have reduced this item to 30 per cent. In Jehol province the opium poppy was cultivated on a big scale and revenues from opium made General Tang Yu-lin, Governor of the province under the Changs, a very wealthy man; the Japanese claim to have brought opium growing under strict control and to derive no revenue therefrom.

All these protestations are in part true, but each needs a skeptical footnote. The budget is balanced, but (1) no one knows how accurate the given figures are, (2) no one knows whether Japan or the S.M.R. has been making secret loans to Manchukuo. Military expenditures have been reduced to 30 per cent, but this is merely because the burden of maintaining the new regime has been shifted to the Japanese Army, which is paid for out of Japan's pocket. In the fiscal

year of 1933 Japan spent \$41,600,000 on its Manchurian forces, which is considerably more than the Changs ever spent in a year. Japan's claims about opium are discounted especially heavily by observers. The government Opium Monopoly Bureau has set strict quotas for poppy growing, but these don't seem to mean much. Even the Japanese blushed slightly when the official Kirin Province Government Gazette on January 29, 1934, published on the same page the 1934 quota of the Opium Monopoly as 10,400,000 liangs and the estimated yield for 1934 as 19,400,000 liangs. Such control as there is seems chiefly designed to produce revenue. Despite a lot of high-powered propaganda about "rationing" every opium smoker in Manchukuo, travelers find the sale of opium wide open from Dairen, where Japanese peddlers made a fat living, to Harbin, where numerous little shops sell heroin, morphine, and opium to Russian school children for twenty cents a shot. This last has been explained as a pleasant little device of the Japanese to undermine the Russians, whom they don't much like.

### Bandits

MANCHURIA is the traditional hom of banditry. The country folk call them "hung-hutze" or "Red Beards", according to some authorities because the bands were originally made up of Russian fugitives from Siberia, according to others because Manchurian bandits used to tie on huge red beards to scare people. Summer and fall are the bandit seasons, for the eight-foot stalks of mature kaoliang then give excellent shelter to lurking bandits. One rule is observed by all bandit bands: never kidnap a woman. Bitter experience has convinced them that (1) she invariably causes dissension in their band and (2) most Chinamen figure it is cheaper and more fun to buy a new wife than to ransom the old one.

The Japanese claim they have reduced the bandits of Manchukuo from 200,000 to a mere 40,000. Their efforts have been heroic, but impartial observers think there is at least as much banditry in Manchukuo today as there was under Young Marshal Chang. In 1932 Manchukuo spent \$15,700,000, 42 per cent of its total budget, for bandit suppression. This doesn't include the cost of maintaining 80,000 Japanese soldiers in Manchukuo who spend a large part of their time chasing bandits. The real point is that no one agrees on just what is and what isn't a bandit. The Japanese apply the term to all hostile forces, much as all opposing Nicaraguans were bandits to the U.S. Marines. Actually Manchurian bandits today may be (1) real, professional Redbeards carrying on a traditional calling, (2) remnants of the 200,000 soldiers Young Marshal Chang left behind him when he skipped over the Great Wall, (3) patriotic Chinese youths carrying on the same sort of guerrilla warfare that Francis Marion waged against the British redcoats in the Carolina swampland, or (4) farmers ruined by floods and low soybean prices.

To protest against society a French-man riots, a Russian sabotages, an Englishman writes to the Times, a Yankee votes the Democratic ticket, and a Manchukuoan turns to banditry. Its prevalence is a social barometer. The glass is falling rapidly just at present. According to Ben Dorfman's recent Foreign Policy Association report on Two Years of the Manchukuo Regime, the Japs made some progress in restoring peace and order in 1933 but have lost ground again of recent months. Last October, for instance, the Redbeards performed such versatile feats as raiding a primary school and carrying off three teachers and a hundred pupils, ambushing fifty Manchu cavalymen and killing forty-six of them, derailling a train loaded with Japanese soldiers, derailling and looting a freight train, attacking a road-construction camp and killing two Japanese, and kidnapping a provincial official with his entire staff. But

mayor with his entire staff. Literally hundreds of such outbreaks occur each month.

"Bandits are like flies," says sardonic General Hishikari, ex-commander in Manchukuo, who should know. "Slap at them, they disappear. But they come back somewhere else." The Japanese have done a lot of slapping. The South Manchuria Railway allows no stalk of bandit-shleeting kaoliang to grow within several hundred yards of its roadbed. It also makes great efforts to win the favor of villages along its tracks and gets them to report bandits. Propaganda units follow in the wake of the Army's punitive expeditions, hoping to convert such bandits as survive. The offer of a job building railroads or even hunting other bandits is the best argument. Sometimes the process is achieved with magical quickness. To a traveler who asked to see a real Manchurian bandit a local police official explained, "It is impossible. You see, we industrialize them immediately". But the industrialization has still a long way to go and even now one is safe from bandits only inside the heavily guarded S.M.R. zone. Such peaceful activities as playing golf and mending roads are carried on under the protecting rifles of Japanese soldiers. Banditry is the most pressing problem of the new state now and in the immediate future.

### Bang goes the open door!

If the powers regard Manchukuo as part of China, let them deal with China," suggested the Japanese Foreign Office playfully. "Yes, they can appeal to China." And that was all the satisfaction the powers got out of Japan. Their grievance was a real one. The oil business is the biggest non-Japanese business in Manchukuo and it was threatened with extinction. Apparently it was to be delivered into the hands of the Manchuria Oil Co., whose stock was 80 per cent Japanese, 20 per cent Manchukuoan controlled. Wherefore Sacony-Vacuum, which has 300 agencies in Manchukuo and sells, or did sell, half the gasoline consumed there, and Royal Dutch Shell and Texas Oil Co. were much disturbed. And with them their respective governments. There were front-page headlines for a while and the State Department wrote some sharp notes, but when the uproar subsided the Manchuria Oil Co. was still in possession of its monopoly on oil sales. The open door, which the powers, including Japan, had years ago solemnly pledged themselves to maintain in China, had obviously been closed. The ingenuity of the Japanese Foreign Office in explaining it away was dazzling: the open door hadn't discriminate against any nation; it had been closed perhaps maybe but Manchukuo isn't part of China and hence the open door doesn't apply to her; Japan "merely declared publicly" she would respect the open door, is "not committed" to do so; and finally, Manchukuo is independent and what business is it of Japan's anyway?

The connection between the open door and the recognition of Manchukuo is a matter of debate. So far only Japan and El Salvador have recognized the new state. Salvador's Consul General in Tokyo frankly declared it was "purely a matter of business, the outgrowth of El Salvador's acute need of new markets for her coffee." Last summer Emperor Kang Teh bestowed a princely tip on Salvador, a 10,000-yen check for the relief of hurricane victims. Even unofficial gestures such as the recent goodwill trip through the country of the British Industries Mission are much appreciated: the Britishers went home with orders in their pockets for \$40,000,000 (reported) worth of railway supplies

and steel. A French group is preparing to follow them. "America is idealistic", the Honorable Hiroshi Saito, Japanese Ambassador to the U.S., recently observed. "And idealism in international affairs is a luxury".

In Korea today there is not a single foreign bank and very few foreign firms of any kind. Observers expect Manchukuo to repeat the pattern. Certainly the Japanese Empire supplied 44 per cent of Manchuria's imports in 1929 and supplies over 66 per cent today. The lucrative trade of foreign machinery and armament firms with the Changs' great arsenal at Mukden is now entirely in Japanese hands. No foreign investments of any consequence have been made since 1931 and the foreign colony in Manchukuo has been reduced from 143,000 in 1938 to less than 75,000 today. Automobiles are believed to be the next subject for a state monopoly. The Chrysler Corp. got its fingers burned last fall when the Kwantung Government, obviously acting for the Army, revoked its license to build an assembly plant in Dairen.

The closing of the open door would be more serious were it not for the microscopic size of non-Japanese foreign investments in Manchukuo anyway. The Japanese in 1930 had 70 per cent of all foreign investments, Soviet Russia 26 per cent, England 2 per cent, the U.S. and France 1 per cent apiece. The English have a small interest in the profitable Peiping-Mukden Railway, and the British-American Tobacco Co. dominates the tobacco trade - though there is now talk of a tobacco monopoly. The total U.S. investment is only \$4,500,000. The Russian investment is mostly in the famed Chinese Eastern Railway, which the Czar built, the French paid for, and the Soviet owns. Manchukuo has offered some \$50,000,000 for the Russian half interest in the road, and negotiations have been dragging on for months. When and if the deal goes through, practically all the foreign investments in Manchukuo will be Japanese.

#### The future: Army vs. Chinese

There is every reason to expect that the Japanese will give Manchukuo a more honest, efficient, and benevolent government than ever was its lot under the Changs. For one thing, they have a motive: it would be almost impossible to use Manchukuo as a strategic base in the next war if its people were hostile. Also, Japs have the technical ability to govern well. Their own form of government, after which the new state is roughly patterned, is notable efficient. Like all war lords, the Changs were in Manchuria only for what they and their henchmen could get out of it. Nor did they have any notion of good government. Their administration was wasteful, corrupt, and inefficient. No one worried very much about the appalling leakage in taxes: 90 per cent of all taxes collected never reached the central government at all. They spent 80 per cent of such revenues as they got for military purposes - on an army of 250,000 men and on the famous \$100,000,000 arsenal at Mukden. The Lytton Commission, while not approving Japanese rule for Manchuria, definitely opposed return to the Chang regime.

But the Japanese will find that it is not enough to rule well. They must also rule wisely. Westernized as they try to be, they regard efficiency as the summum bonum of government. Not so the old-style Chinese, who look on bungling and graft with all the indulgence of a Tammany ward heeler. "He who is not in office," admonished Confucius, "has no concern with the administration of its duties". If the Japanese are not careful, they will alienate their Chinese partners in Manchukuo by giving them too good a government. Korea is a case in point. Since Japan took it over in 1910 she has administered that dismal, poverty-pinched land efficiently enough. But the Japanese, like the



Germans, are too unimaginative and inflexible, too arrogantly nationalistic to be good colonists. Their rule, beneficent in material ways perhaps, is tactless, overbearing, heedless of native psychology. It is resented by the Koreans with an ever increasing bitterness. Observers trace a damning parallel between Japanese methods in Manchukuo today and in Korea thirty years ago. The expressions of loyalty to the new regime from chambers of commerce and other native bodies mean nothing. The archives at Seoul, capital of Korea, one apprehensively notes, contain bushels of the same sort of thing.

Whether the Army mind will ever grasp the subtleties of Chinese psychology seems doubtful. Recently the traditional provinces of Manchuria were split into smaller districts. The purpose of the move was reasonable enough: to reduce the power of the provincial governors and make it easier to extend the central authority over them. But many cool heads on civilian shoulders doubt whether the country is yet ripe for so drastic an upsetting of tradition. Nor is the direct-action policy of the Army calculated to win popular sympathy. The police chief at Mukden put it bluntly: "The Manchurian population does not enjoy the military administration. The Army has fired all the villages along a road stretching twenty miles between Shanchengchen and Tunghua, alleging that they were harbouring bandits. We question whether that is the way to enhance the Manchurian people's friendship." Because Mongolia is the possible theatre of the next Russo-Japanese war (see map on page 82) and the probable next addition to Manchukuo, the Army has made a special effort to be nice to the 2,000,000 Mongols of Manchuria. It has set aside the huge province of Hsingan (not included in the recent split-up) as a special Mongol preserve. Hsingan has more autonomy than the other districts of Manchukuo, and the Japs have forbidden Chinese settlers to invade it. Considering all this, the recent news of a mutiny among Mongol troops in the Manchukuoan Army is discouraging.

No amount of tact can do away with a certain amount of ill will caused by the very efficiency of the new government. Taxes are lighter and more impartially collected than in the days of the Changs and justice is dispensed more equally. The result is that many persons "privileged" for one reason or another have lost their special standing. By the same token, officials who once luxuriated in "squeeze" and bribe money now must get along on a comparatively unexciting salary. Stabilized currency is fine, but it means ruin to thousands of money-changers and speculators. New roads and railroads open up the land but they also deprive large numbers of farmers of their only paying winter job, carting produce over the frozen rivers to distant railroads.

#### The future: Army vs. civil service

The real threat to Manchukuoan stability, however, comes not from the Chinese but from the Japanese themselves. The Army conquered Manchuria, the Army set up the Pu Yi regime, and now the Army wants to run the country. It would like to take over the whole structure of Japanese interests built up in Manchuria during the past thirty years. There is, not unnaturally, opposition.

The lesser but currently more threatening conflict is between the Army and the civilian officials in the Kwantung Leased Territory. Soon after the Army began its Manchurian operations, it also began a steady encroachment on the sphere of the Kwantung Civil Government. The civil officials and the police, threatened with loss of "face",

vigorously resisted. The tension increased until this fall came the "reform plan" that put the Army in charge of the Kwantung police. The 15,000 officials of the Kwantung Government threatened to resign in a body. The police talked of open revolt. Even the hardboiled General Hishikari, then Commander of the Kwantung Army and Governor of the Kwantung Territory, was impressed. When his efforts at conciliation failed, he wired Tokyo advising the plan be dropped. The Army's reply was to replace Hishikari with Minami, about two minutes harder boiled. The reform plan is going right ahead. Any opposition is to be dealt with in the only way the Army knows - by force. Martial law is already in the air.

#### The future: Army vs. capitalists

A certain Japanese industrialist, discreetly anonymous, recently summed it up: "Our people do not seem to realize that the political right and left do not move away from each other in a straight line. They travel in a circle and the extreme right and the extreme left are exactly the same. Thus, while our government spends its time and its money to run down Communists, it spends even more time and even more money to attain the Communist objective from another direction. Manchukuo, despite the fact that it is controlled by adherents of the extreme right, seems to be growing up into a fine example of a socialist state." For chapter and verse of his accusation the anonymous industrialist could have turned to a document entitled The True Meaning of National Defense, which was broadcast last spring to the tune of 160,000 copies by the military authorities. Its phraseology was such as one finds in the Daily Worker - "uneven distribution of wealth," "poverty of the masses," "ineffectual State control". It suggested a thoroughgoing reformation of the economic structure, advocated greater state control over private interest so as "to advance the happiness of the nation as a whole."

The Army wants to set up state socialism in Manchukuo. The capitalists want freedom to exploit the country. The outcome of this conflict, part of a broader struggle at home, will decide the future of the new state. So far the Army has had things all its own way. Last year Manchukuo announced a ten-year plan for the development of railroads, wheat and cotton, mineral resources, and so on. One of its cardinal points: "The State shall control the principal industries for the systematic development of resources". All utilities are government monopolies - telephones and telegraphs, railways, electricity, even aviation. There are official companies for gold mining, forestry, cotton raising, motor trucks, tobacco and oil distribution, and even for patent medicines. Consider the Manchu Denkiogyo Kabushiki Kaisha, which has just been formed to control all electric enterprises. It will have a paid-up capital of \$25,600,000, which will make it second only to S.M.R. among Manchukuoan companies. Its President will be a retired Jap general, one of its two Vice Presidents will be a Manchukuoan Government official. No shares will be sold to the public.

The Army's latest idea is to put all commerce and industry under a grand economic council, half Japanese and half Manchukuoan. Over this all-powerful body will preside no other than bull-necked Jiro Minami, Commander of the Kwantung Army and Ambassador to Manchukuo. For the present, all new business enterprises must be sanctioned by the Manchukuo Department of Industry. And the special section

of the Kwantung Army is "adviser" to the Department of Industry. "Military men complain that private capital is not rushing to invest its money in Manchuria," comments one Japanese newspaper. "Why should it? The government is running or plans to run everything... No industry of any importance is left to the private industrialist". The Army is developing Manchuria's resources primarily for military reasons, and it wants no interference from capitalists.

#### The future: Army vs. S.M.R.

The last great champion of capitalism in Manchukuo is the South Manchuria Railway (see Fortune, February, 1932, for a detailed account). Of the \$500,000,000 invested up to 1931 by Japan in Manchuria, \$300,000,000 went into the S.M.R. and its subsidiaries. The Japanese Government owns 51 per cent of S.M.R. stock, which it paid for by turning over to the railroad a hundred-foot strip of territory along its roadbed that bulges out here and there to include choice sections of various cities, the Fushun coal mines, the Anshan iron deposits, and so on. The other 49 per cent is held by Mitsui, Mitsubishi, and other Japanese banks and investors. From 1905, when Japan took over the railroad from Russia after the Russo-Japanese War, up to 1931, Japan's interests in Manchuria crystallized around the S.M.R. It was, and is, a great deal more than 691 miles of excellent roadbed, some 500 powerful modern locomotives, some 8,000 freight cars, and some 550 sleek, luxurious passenger cars. It has only some \$78,000,000 invested in railroading. The rest is made up of such items as coal mines (\$34,000,000) and municipal undertakings (\$42,000,000). The S.M.R. made Dairen second only to Shanghai among Chinese ports and perhaps the most modern port on the mainland of Asia. It has played a big part in developing Manchuria's huge soybean crop, and its agricultural experts instruct Manchurian farmers in the mysteries of tractors and crop diversification. It has its own schools and its public-health service fights bubonic plague throughout South Manchuria. It is impossible to imagine Manchuria without the S.M.R.

The Army well knows that so long as the S.M.R. remains the colossus of Manchukuo the power of the military will be curbed. For many months it has been making strenuous efforts to shear the S.M.R.'s Samson locks. The Kwantung Army has set up its own Economic Research Bureau in opposition to the S.M.R. economists. This body, which makes up in sheer brute power what it may lack in expertness, has made a modest proposal: to strip the S.M.R. of fifty-seven of its sixty-four subsidiary enterprises. The companies thus split off would, of course, come under the control of the Manchukuoan Department of Industry, whose "adviser" happens to be the Kwantung Army. It is further proposed that the remaining assets of the S.M.R. be turned over to a holding company that shall hold the controlling shares in all industries related to national defense - a conveniently broad definition. This holding company shall be directed by the Economic Research Bureau of the Kwantung Army and managed by the Commander of that Army. This astonishing product of the military mind would be a joke anywhere except in Japan.

Even if the Army carries out its plan, the S.M.R. will remain the economic key to Manchukuo. It will retain its coal mines, its iron deposits, its control of the Dairen harbor works, and its railroads. Indeed, the Army so far has played fairly godmother to the S.M.R. The construction boom has contributed to up the company's profits an estimated \$3,000,000 for 1934. The 8 per cent dividend is safe another year. As a railroad, the S.M.R. has greatly increased in stature since 1931. The new state has taken over the Chinese railroads in its boundaries as "security" for the

repayment of the Japanese loans, many of them made by S.M.R. itself, which financed their construction. All these lines have been turned over to the S.M.R. to manage. This means not only a fat fee but also the end of the cutthroat competition with which the Chinese lines harried S.M.R. during the last years of Young Marshal Chang. It is good business. And since railroads are the economic and strategic keys to Manchukuo, it means that S.M.R. will continue to bulk large in the new state. Unless, of course, the Economic Research Bureau of the Kwantung Army evolves another plan.

Now that all the evidence is in, now that Manchukuo has been considered as a battle-ground and as a field for Japan's imperialistic ambitions, now that her coal and iron and wheat have been appraised and the balance sheet of her first year of empire totted up, now that the dangers that threaten her and the men who made her have been chronicled - after all this, the final word belongs to a man who died six years before Manchukuo was founded. The late great Dr. Sun Yat-sen, "father of modern China," prophesied a quarter of a century ago: "If Japan needs Manchuria, China may give it to Japan. But one thing I emphasize is that any foreign country that takes Chinese territory is liable to be assimilated by China in the course of time." The Manchus conquered China only to be assimilated by the slow, irresistible fecundity of the Chinese so thoroughly that Manchu has joined Sanskrit among the dead languages. Remembering this, even the Japanese, struck blind with the dream of empire, may well pause and consider.